



SPECIAL BOARD MEETING
PUBLIC EMPLOYEES' RETIREMENT BOARD

January 26, 2009

President John Paull called the regular meeting to order at 3:15 pm. Monday, January 26, 2009. Roll call was taken with all members of the Board being present. Board members and staff present were:

John Paull, Vice President (via telephone)
John Nielsen, Member (via telephone)
Loren Bough, Member (via telephone)
Darcy Halpin, Member (via telephone)
Ray Peck, Member (in person)
Dianna Porter, Member (via telephone)
Terry Smith, Member (via telephone)
Roxanne Minnehan, Executive Director (in person)
Melanie Symons, Legal Counsel (in person)
Scott Miller, Legal Counsel (in person)
Ursula Hatfield, Executive Assistant (in person)

OPEN MEETING

Tom Schneider, MPEA; Russell Wrigg, AMRPE; Pam Bucy and Jerry Williams, MPPA; Mike O'Connor, AMRPE; Renae Deadmond, Internal Auditor; Kim Flatow, Member Services Bureau Chief; Barb Quinn, Fiscal Services Bureau Chief; Kathy Samson, DC and Education Bureau Chief, and Joel Thompson, Education and Training Specialist, joined the meeting.

Public Comment on any subject of interest not on the Board agenda. No public comment.

EXECUTIVE DIRECTOR'S REPORT – Roxanne Minnehan, Executive Director

Lehman Brothers Securities Claim – Kathy Samson

In September, some Lehman Brothers agencies started dissolving proceedings. PIMCO provided MPERA with some information to file a claim. Security claims must be filed by January 30, 2009.

Other general claims need to be filed by June 1, 2009. PIMCO provided a claim sheet with the estimate amount of \$1.5 Million. The process can be done online. Ms. Symons counseled we should make a claim and we would in turn be informed that we are not eligible for any monetary compensation. She also suggested that we seek counsel of Wilshire. According to the letter PIMCO will help answer any questions that arise.

Motion: Mr. Ray Peck moved to approve staff to file a claim against Lehman Brothers and authorize staff to seek outside counsel if necessary.

Second: Ms. Darcy Halpin

No public comment.

Vote: 7/0

Montana Police Protective Association (MPPA) Request for Update MPORS Data – Scott Miller

The MPPA requested MPORS data to obtain its own actuary's opinion of the Deferred Retirement Option Plan (DROP) cost. After a hearing in district court and a protective order, the Board provided the data to MPPA's attorney. We received a memo from the actuary. MPPA is now requesting the Board provide FY 2007 and FY 2008 data.

Mr. Miller noted that the court order stipulate FY 2006 only. When the attorney, Steve Bullock, requested more the court said no; however, Mr. Miller does not know why.

Motion: Mr. John Nielsen moved to provide MPPA the requested data for FY 2007 and FY 2008 with the same court stipulations.

Second: Mr. Terry Smith

No public comment.

Vote: 7/0

Response to Governor's Letter: Lobbying Activities - Roxanne Minnehan

Ms. Minnehan, MPERA Executive Director, received a letter from Bruce Nelson, Chief of Staff for the Governor. The letter states MPERA needs approval from the Governor's office prior to lobbying on proposed legislation. The Board was counseled that their fiduciary responsibility is to the plans and the members of the retirement systems, not to the Governor. Ms. Minnehan suggested a letter in response to this effect. Ms. Symons and Mr. Miller counseled they do not have to comply with this directive. The Board is constitutionally imposed to provide testimony on bills. MPERA's budget is separate to the Governor's budget. A similar situation took place during the 2007 Legislative Session; MPERA responded similarly. The Board agreed that a reply needs to be sent again, stating our fiduciary responsibilities.

Motion: Ms. Darcy Halpin moved to allow staff to create a letter equivalent to the 2007 Legislative Session and mail to the Governor's Office.

Second: Mr. John Nielsen

Mr. O'Connor stated the Board needs to best meet the interests of the members and beneficiaries of the plan. Those positions have not always been in agreement with the Governor.

Vote: 7/0

Possible Solutions for Market Deterioration – Roxanne Minnehan

The Board's actuary, Mark Johnson, has provided an updated report estimating the fiscal impact of investment losses incurred between July 1, 2008 and December 31, 2008. The Board requested staff not only illuminate the problem but also propose possible solutions. Management team came up with possible solutions and has discussed them with the actuary. Some possibilities discussed are 1) eliminating the GABA, 2) expanded the final average compensation (FAC) from three years to five years and 3) a combination of 1 and 2. Raising contributions was also discussed as well as new factors in the formulas. PERS would need to increase funding by 0.91% to continue a thirty year funding if no changes are made. Eliminating the GABA the amortization period would still be over thirty years. The Board did not want to eliminate the GABA but understand that something would need to be addressed or the unfunded actuarial liability will increase. The Board wants to maintain current benefit levels. The Board discussed how to inform the Legislature. They discussed a possible bill proposal or a letter including the actuary's letter and report.

Motion: Mr. Loren Bough moved to draft a letter and include the actuary's letter and report. The letter should 1) identify the problem 2) note that not all losses have been recognized 3) this is based on an interim report. 4) recognize that increasing employer contributions would be a prudent measure and 5) note that there can be decreases in benefits and eligibility requirement for new hires.

Second: Mr. Terry Smith

No public comment.

Vote: 7/0

Legislation Update

HB12 Executive action on the Working Retiree bill hearing was Friday, January 23. The House State Administrative Committee voted to table this bill 9/8. Mr. Miller will be meeting with Rep. Wilmer and Rep. Bean, Tuesday, January 27 to discuss a possible amendment.

HB31 allows current PERS 911 dispatchers to elect coverage in SRS by October 1, 2009. A motion to pass failed 9/9. A motion to table failed 9/9. This allows the bill to be brought before the Committee again or to die without further action.

HB32 increases the benefit factor in FURS from 2.5% to 3%. This bill was tabled, Thursday, January 15, 2009.

HB33 includes overtime in the definition of annual compensation in FURS. This bill was tabled, Friday, January 23, 2009.

HB109 no executive action was taken.

HB124 allows FURS members who did not elect participation in the Guaranteed Annual Benefit Adjustment (GABA) to have another election. This bill was tabled upon the sponsor's request, Thursday, January 15, 2009.

HB142 is proposed by the Governor's Office. This bill removes the automatic trigger that decreases employer contributions. This bill was tabled, Wednesday, January 21, 2009.

HB170 executive action has been taken on Friday, January 23. An amendment has been requested adding Heroes and Heart Act. Teachers Retirement System's has added this to their qualification bill. MPERA will need to add this to all systems. Mr. Miller has asked Sheri Hefflefinger to forward the amendment when it is completed. Rep. Dee Brown will carry the amendment.

HB266 eliminates member contribution requirements for DROP participants of MPORS. This bill is sponsored by Rep. Galen Hollenbaugh. The hearing was postponed until Friday, January 30, before the House State Administrative Committee. This increases unfunded actuarial liability by \$4.2 million, increases the normal cost by 1.12%, the amortization period increases to 2.9 years and a compensation increase of 2.04% is needed to keep the system at current funding. Staff recommends opposing this bill due to the actuarial impact.

Ms. Bucy, MPPA, addressed the Board, asking they support this bill. She stated their actuary showed very little to no increase of the amortization period, this actually benefits the system. Their actuary used 23 years of service as an average and MPERA's actuary used 20 years. MPERA's actuary used 20 years for they are eligible at 20 years, the system makes a gain if they opt at 23 years. Ms. Bucy stated that the Board supported legislation that was more costly and that this was an opportunity to get rid of litigation. Mr. Miller stated the fiscal note reflects that contributions will not be going into the system. MPERA has asked MPPA's for the full actuary report. Ms. Symons informed the Board she is not comfortable supporting a bill that has presented a fiscal note not presented by MPERA's actuary. Ms. Bucy informed the Board that the Governor's Office informed her they would contact MPERA and the fiscal analysts. At this time no contact has been made. The sponsor has requested an updated fiscal note.

Motion: Mr. Ray Peck moved to remain neutral on HB266.

Second: Ms. Darcy Halpin

No public comment.

Vote: 7/0

HB315, SB282 and SB284 will not impact the retirement systems. These will be discussed in the next Legislative Committee meeting held Tuesday, January 27, 2009.

Next Board Meeting

February 12, 2009

March 12, 2009

ADJOURNMENT

There being no further business before the Board, Mr. Terry Smith moved to adjourn the meeting, Ms. Dianna Porter seconded. All voted aye, next regular meeting will be Thursday, February 12, 2009 at 100 N Park Ave, Suite 200, Helena, MT 59620. Meeting adjourned at approximately 5:00.